



M&C SAATCHI GROUP

2020 RESULTS PRESENTATION

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2020 RESULTS SUMMARY

Resilient and agile performance in challenging environment

- Headline PBT of £8.3M - ahead of expectations
- Strong client retention and new business performance
- Swift implementation of transformation and restructuring strategy
- Business simplification: number of operating units reduced by 34%
- Driving digital growth across all five divisions

01 2020 RESULTS

02 CURRENT TRADING

03 STRATEGY UPDATE

2020: HEADLINE NUMBERS

Stronger than expected performance with underlying margin improvement

	2020	2019	Movement	
	£m	£m	£m	%
Net revenue	225.4	256.4	(31.0)	(12.1%)
Operating profit	12.0	19.5	(7.5)	(38.5%)
Profit before tax	8.3	17.2	(8.8)	(51.5%)
Taxation	(3.3)	(5.3)	2.0	(37.8%)
Profit after tax	5.0	11.9	(6.8)	(57.6%)
Minority interest	(3.4)	(4.9)	1.5	(30.6%)
Profit for period	1.6	7.0	(5.4)	(77.0%)
Basic EPS	1.52p	7.70p	(6.18)p	(80.3%)
Dividend	0.00p	2.45p	(2.45)p	(100.0%)

Operating Profit Margin

- 2020 stated: 5.3%
- Moves to 7.5%+ if exclude losses from entities that were disposed of/divested
- Current run rate: 10%+

2020: REGIONAL BREAKDOWN

Stronger than expected performance

Resilient Year

- Streamlining / exiting loss-making operations
- Turnaround of loss-making operations
- Growth in profit and operating margin in largest entity

£m	UK	Europe	Middle East & Africa	Asia & Australia	Americas	Central costs	Group total
Net revenue	88.9	28.4	15.6	57.9	34.6	-	225.4
vs 2019 (<i>reported rates</i>)	(13.8%)	(6.8%)	(6.2%)	(10.2%)	(16.9%)	0.0%	(12.1%)
Operating profit	16.4	1.5	0.7	2.2	2.5	(11.3)	12.0
vs 2019 (<i>reported rates</i>)	21.2%	(50.9%)	(55.4%)	(60.5%)	(19.3%)	53.7%	(38.5%)
Operating margin	18.4%	5.2%	4.3%	3.9%	7.2%	-	5.3%
2019 margin	13.1%	9.9%	9.1%	8.8%	7.5%	-	7.6%
Share of associates	-	-	-	(0.0)	(0.1)	-	(0.1)
Net interest	(1.1)	(0.1)	(0.4)	(0.4)	(0.9)	(0.7)	(3.5)
Profit before tax	15.3	1.3	0.3	1.8	1.5	(12.0)	8.3
Tax rate	20%	54%	98%	59%	25%	19%	39.6%
Profit after tax	12.3	0.6	0.0	0.8	1.2	(9.8)	5.0
Non-controlling interest	(2.7)	(0.2)	0.1	(0.2)	(0.4)		(3.4)
Profit for period	9.6	0.4	0.1	0.6	0.8	(9.8)	1.6

BUSINESS TRANSFORMATION & RESTRUCTURING

Multiple initiatives to mitigate challenges and expand underlying operating margin

- **Operating cost reduction vs 2019 of £24m or 10%**
 - Rightsizing, foundations in place for further margin improvement
- **Disposals, divestments and office closures**
 - 20 entities were either closed, merged or our interest divested; programme continued in 2021 to deliver 34% reduction
- **Review and reduction of global property portfolio to accommodate a more flexible working environment**
 - Real estate in London, New York, Sydney, and Singapore, surplus to requirements and being marketed
 - Impairment of £2.7m against leases (largely in London)
- **Investment in structural repositioning**
 - New talent, capabilities and business processes including enhanced central functions
 - Major staff restructuring programmes (Exceptional costs of £2.6m)
- **Utilisation of government support**
 - UK furlough repaid in 2021

STRONG BALANCE SHEET

Solid cash conversion, disciplined cash management and new bank financing

	<u>2020</u>	<u>2019</u>
	£m	£m
Total Cash	76.3	69.0
Borrowings	(43.3)	(52.4)
Net Cash	<u>33.0</u>	<u>16.6</u>

- Strong conversion of operating profit to cash
- Transformed treasury and centralised cash management function
- New 3 year £47m banking revolving credit facility with NatWest and Barclays
- Net cash position continues to be healthy in 2021

POTENTIAL TO TRANSFORM SHAREHOLDER VALUE

Cash purchase of minorities included in capital allocation considerations

Minimising Dilution

Current Projection 19.4%

Potential Projection 4.6%

Reducing Minority Interests

Currently: 68% of PAT

5 Yr Projection: 12% of PAT

Capital Allocation Priorities

- Organic Growth /
- Working Capital
- Minority Interests
- Dividend Payment
- Balance sheet parameters

Outstanding 2021-2025 Put Options*

Settled with shares (@135p share price) = 19.4% dilution

Settled with cash = 4.6% dilution

Decision to be taken post AGM

*Estimated put option liability for 2021 = £12.6m (@135p share price) assuming £5m to be settled with cash.

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CURRENT TRADING

Positive underlying business trends and strategic initiatives delivering growth

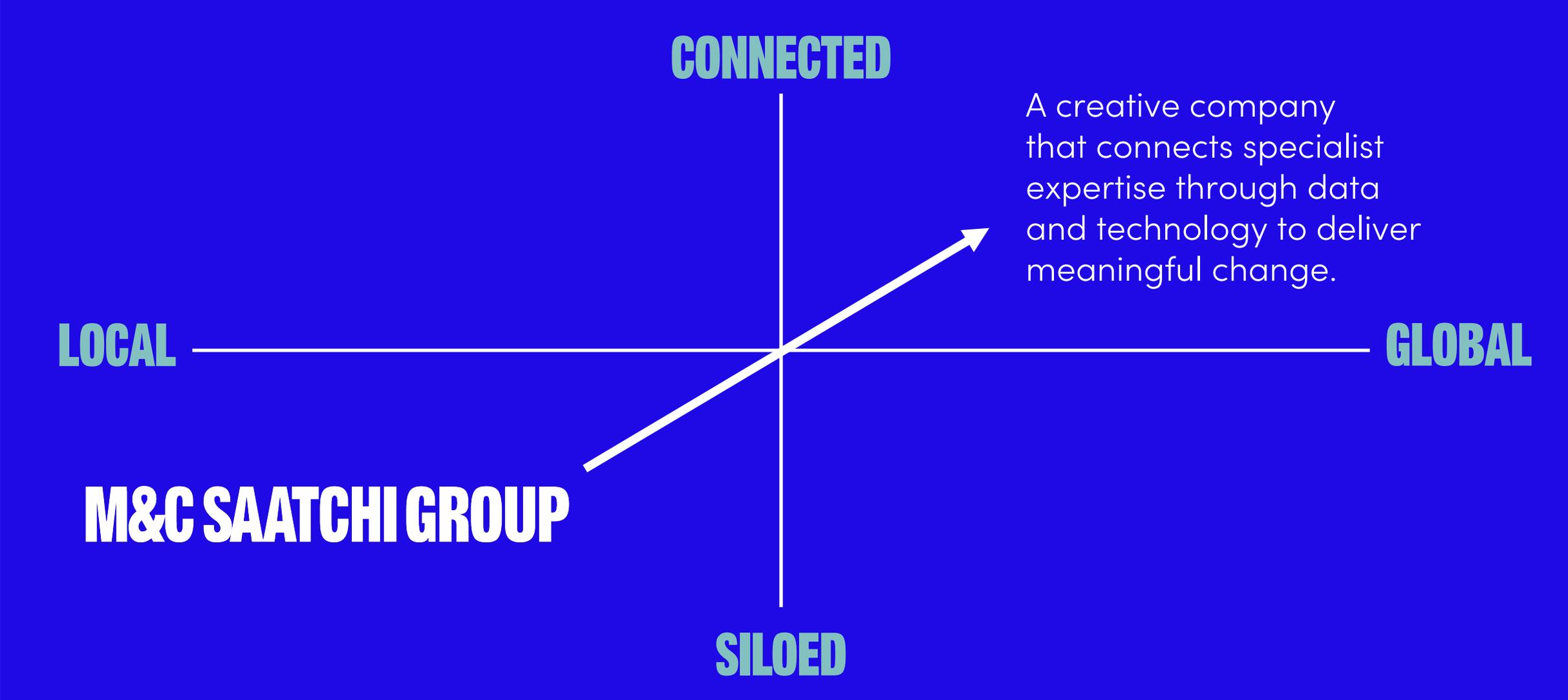
- Strong revenue and PBT growth in first 5 months of 2021
- Headline operating margin for first 5 months > 10%
- PBT for 1st 6 months expected to be > £10m (H1 2020: £2m)
- Strong performance across all divisions, driven by new business, and more positive market backdrop
- Continued balance sheet strength with Net Cash of £32m at 31 May 2021

Full year 2021

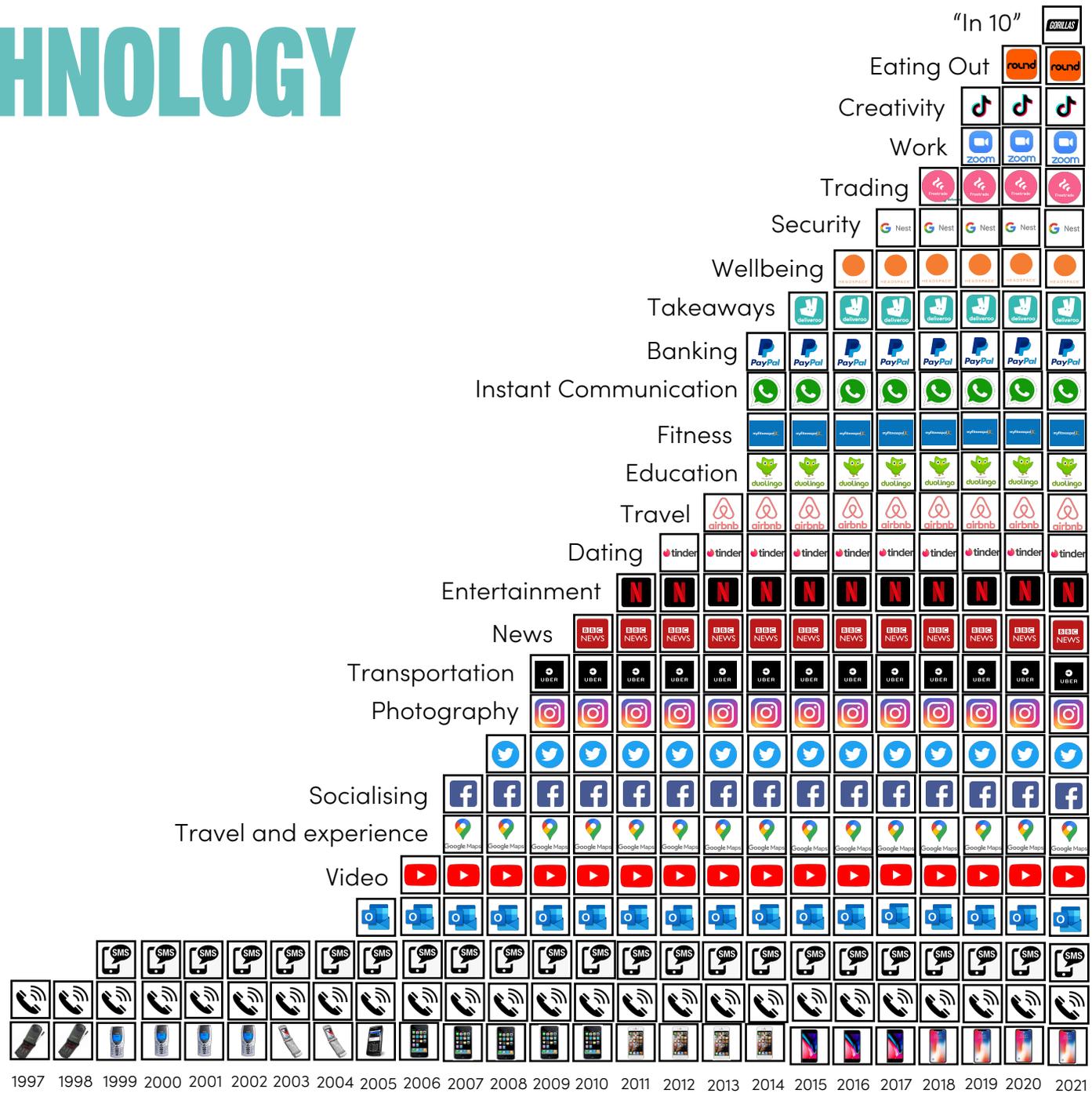
- Revenue, PBT and Earnings expected to be ahead of consensus expectations
- Strength of H1 performance may not be fully matched in H2

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STRATEGY



LIVING IN TECHNOLOGY



IRREVERSIBLE TRENDS

Deepening of digital

Dependency not just time spent

Modern creativity in a digital world

Darwinian D to C

Strong brand to survive & relevant, actionable CX to thrive

Platforms & Precision

Sustainability Anxiety

Increasingly core to the Marketing agenda
Increasingly complex

Specialists in planet, people and brands

SPECIALIST DIVISIONS

**CONNECTED
CREATIVITY**

**BRAND,
EXPERIENCE
& INNOVATION**

**GLOBAL &
SOCIAL ISSUES**

**PASSION
MARKETING**

**PERFORMANCE
MEDIA**

Growth drivers across all divisions

Data Analytics

Automation

Personalisation

CX

CONNECTED CREATIVITY

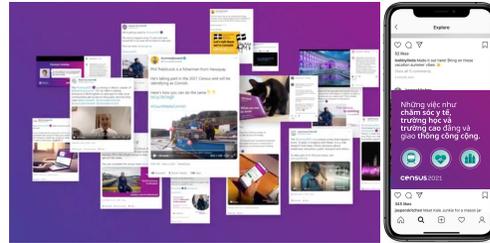
The application of marketing science & creativity to solve complex problems.

70% of success of digital ad campaigns accounted for by creative quality

Data driven personalization drives 5-8 x more ROI

census 2021

PUBLIC SECTOR DIGITAL TRANSFORMATION



- ✓ Data analytics for insight into key hard to reach audiences
- ✓ Tech partnership with Admation
- ✓ Distribution of digital assets at speed and scale across Facebook, Twitter, Snapchat, digital display, online video and search
- ✓ Real time customisation in response to completion data by region and audience
- ✓ Influencer mapping to identify key community voices in 19 priority groups
- ✓ Website design, build and management for discrete audiences
- ✓ Built and managed the digital help centre using AI technology, operating on Facebook and Twitter, responding to 250,000 requests
- ✓ **Results: 97% completion rate exceeding targets**



TRANSFORMATION FROM TRADITIONAL CAR BRAND TO MOBILITY EXPERIENCE PROVIDER



- ✓ Propensity modelling to drive growth
- ✓ Customer data predictive analytics
- ✓ Developed mobility as a service (MAAS) strategy
- ✓ Customer experience app development (Encore)
- ✓ Integration of communications with Salesforce for hyper-targeted personalized content
- ✓ Data driven customer lifecycle management
- ✓ Built a single customer view to empower dealers via connected data
- ✓ **Results: Outperforming market with 17% growth**

BRAND, EXPERIENCE & INNOVATION

Transformative digital experience, design and innovation.

55% of companies expect that in 3 years, more than half of revenue to come from products & services that do not exist today.

CX CAGR 18%
2021-2028



EDTECH DIGITAL EXPERIENCE TRANSFORMATION. BRAND DESIGN AND ARCHITECTURE, ENTERPRISE LEVEL WEBSITE DESIGN AND UX.



- ✓ UX strategy consulting – single user ID, simplified from many
- ✓ Information architecture design including multi-device navigation user interface
- ✓ Atomic design organisms to develop effective user interface
- ✓ Scaled content workflow management
- ✓ Interactive prototyping
- ✓ Content Management System model and development planning

OPTUS

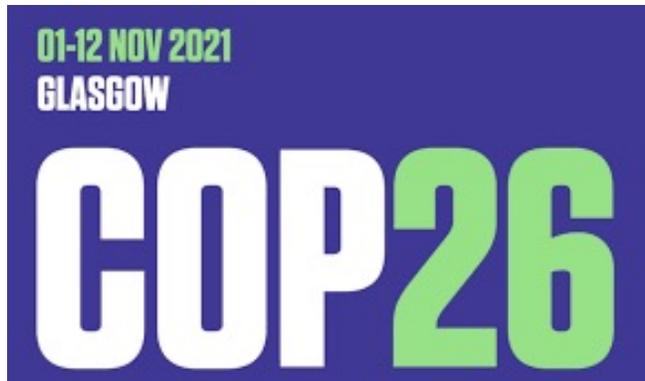
360 DEGREE DELIVERY THROUGH THE FUNNEL; FROM BRAND DESIGN TO E-COMMERCE



- ✓ Built dedicated in-house agency powered by technology
- ✓ Transforming retail marketing through automation
- ✓ Delivering personalization at speed via AdZu tech stack
- ✓ Touchpoint analytics to optimise effectiveness

GLOBAL & SOCIAL ISSUES

Driving critical global and social change.
Protecting the planet,
transforming lives
for the better.



**150 Million pushed
into extreme
poverty in 2021**

**1 in 4 young people
living in fragile
states by 2030****

- ✓ The world's leading marketing communications company specialising in global and social issues
- ✓ Working with national governments, foundations, NGOs, the private sector and international organisations including the UN, NATO and the EU
- ✓ Leading comms for UN Climate Change Conference (COP26)
- ✓ Helping tackle extremism in all its forms for the UK government; 'Building a stronger Britain together'
- ✓ Established O2's new environmental platform: 'O2 vs CO2'
- ✓ Leading behaviour change communications reaching over 240 million people in Asia and Africa to help stop the spread of COVID-19
- ✓ Leading Gates Foundation on data driven responsiveness in global health

PASSION MARKETING

Connecting brands
direct to consumers
through their passions

23% CAGR in
virtual events to
2027

\$94bn to \$405bn

72% of companies
to extend
influencer
marketing by 2022



- ✓ Data analytics to identify connections between brands and consumer passions
- ✓ Pivot from physical events to interactive, virtual events
- ✓ Helping brands capitalize on growth of esports eg. Virgin Media and activating EGX
- ✓ Live stream sponsorship activity, via social platforms and first party apps for brands including McDonald's, Heineken and KIA
- ✓ Launch of new capability in hyper-passions via M&C Saatchi Fabric
- ✓ Management of Influencer talent pool across You Tube and Instagram
- ✓ Consultancy to optimise brand fit with influencer selection
- ✓ Advisors to YouTube to find the next generation of Influencers

PERFORMANCE MEDIA

Connecting brands with today's connected customers

17% CAGR global internet advertising 2020-2027

75% companies lack confidence in addressing loss of Cookies



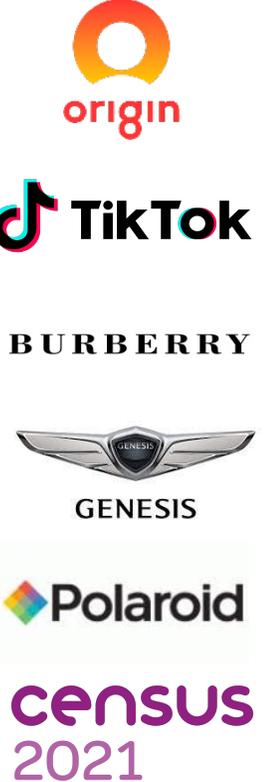
TAILORED TECH STACK TO DELIVER STRATEGY, PLANNING AND BUYING OF ALL DIGITAL MEDIA ACROSS SOUTHEAST ASIA. CABS, FOOD DELIVERY, FINANCE.

- ✓ Proprietary Planning framework for connected media, "Action Planning"
- ✓ Dynamic cross channel media buying optimized to business metrics
- ✓ Holistic, near real time reporting through enterprise class technology platform
- ✓ Significant traction in emerging industry sectors: Med-tech, Ed-tech, Fin-tech
- ✓ Business partner to leading digital businesses
- ✓ Lead partner to test media innovations: Lyft, Roku, Dataseat,

- ✓ Hyper-targeting across Self Attributing Networks including Google and Facebook and through DSPs such as theTradeDesk to drive efficiency
- ✓ Dynamic creative optimization – Machine learning to A/B test across thousands of creative executions
- ✓ Advanced AI driven data aggregation and reporting
- ✓ Track and attribute customer conversion through AppsFlyer
- ✓ Fraud detection Analytics in order to ensure efficient media spend through sources of inventory
- ✓ Brand safety delivered via IAS (Integral Ad Science).

STRONG NEW BUSINESS

CONNECTED CREATIVITY



BRAND, EXPERIENCE & INNOVATION



GLOBAL & SOCIAL ISSUES



PASSION MARKETING



PERFORMANCE MEDIA



SUMMARY

Business Transformation Continues

- ✓ Investing in high growth, high margin sectors
- ✓ Digital focus
- ✓ Further simplification
- ✓ Addressing dilution
- ✓ Resourcing for the new era